

# INDUSTRY UPDATE

Biweekly Period Ending December 15, 2001

## Phoenix Metro Area

### **Manufacturing**

Due to the high-tech slowdown, in mid-December a Phoenix-based **maker of printed circuit boards and electronic components** for aerospace, semiconductor, and telecommunications industries **laid off** about **150 employees**, or 10 percent of its workforce. After the reductions, **EFTC Corp.** will employ about 1,000 workers in the metro area. EFTC's revenues for the third quarter of 2001 were down about 3 percent for the same period a year earlier.

A Texas **prepackaged-food manufacturer**, which has a plant in the Valley, will **move** its **corporate headquarters** from a suburb of Austin **to Phoenix early next year**.

**MarketFare Foods Inc.** will **relocate** about **20 employees** to its 54,000-square-foot manufacturing facility near Phoenix Sky Harbor International Airport. The plant, one of four in the country, currently employs about 120. MarketFare sells fresh and frozen sandwiches, Mexican meals, and other products to convenience stores, airlines, and food-service operators. Initially, MarketFare doesn't expect to hire any additional employees locally.

A **deal** signed between **Honeywell International's Engine Systems and Services** unit and **Rolls Royce** may **provide additional job security** for some Tempe workers, in a time of uncertainty. Honeywell said it **doesn't expect any additional jobs** to be created by a potential **\$1 billion contract** it inked to **provide pneumatic systems** for **Rolls Royce engines** used on future **Airbus A380 jumbo jets**, which will debut in 2006 and carry 555 passengers. But the potential

25-year deal will offer some peace of mind to aerospace workers who have felt the brunt of the economic fallout since September 11<sup>th</sup>.

**Fender Musical Instruments** opened its 55,000-square-foot **headquarters** in early December at the **Chaparral Business Center** (Loop 101 and Chaparral Road), on land owned by the Salt River Pima-Maricopa Indian Community. The move for the company's 130 employees was only a few miles from its previous headquarters in Scottsdale, but will provide Fender with lower expenses and more cost efficiencies. Fender expects **only a few new employees** will be added at the new site, but additional jobs could be forthcoming if the company acquires additional businesses. Fender, which moved from California to Scottsdale about 10 years ago, has manufacturing plants in California and Mexico.

### **Finance, Insurance, and Real Estate**

Due to continued weakness in tourism and corporate travel expenditures, **American Express** will **cut 5,500 to 6,500 jobs, mainly** from its **Travel Related Services division**, over the next several months. Including a cut of 7,700 jobs in July, when this newest reduction is complete New York-based American Express will have eliminated about 15 percent of its worldwide workforce. American Express — which is still proceeding with plans to build a three-building campus to house 3,100 employees in northeast Phoenix — employs more than 9,000 Valley workers, with a majority working in the travel division. No information was given on how many Valley employees may be affected by the new cuts.

### **Trade**

Apparently Arizona's "high rollers" haven't

been affected by the economic slowdown. **Mercedes-Benz** announced that a **former AutoNation USA dealership in Chandler** would become the German car maker's **largest dealership and service center** in the country when it opens in March. The 24-acre site at Interstate 10 and Ray Road has been vacant since AutoNation, a new and used car dealer, divested itself of 23 mega-stores in 1999. Mercedes-Benz was attracted to the area because of the number of young executives living in the southeast Valley. It will be the company's third Valley dealership.

Just a short hop down the road, the nation's **largest wood furniture maker, Kincaid Homes Furnishings**, recently **opened a store in Chandler** (855 N. 54<sup>th</sup> St.), the **first of four planned Arizona retail stores**. The 55-year-old, North Carolina-based company — which has 17 furniture factories and 13 stores (including the Chandler location) — expects to open a second outlet in north Scottsdale (Summit at Scottsdale shopping center) in June. Known for its high-quality products made out of solid wood, Kincaid is now a subsidiary of La-Z-Boy Furniture company. But Kincaid has kept its own name and management team.

### ***Services***

An **experimental cancer-treatment center** will **open** on the **campus of Scottsdale Healthcare Shea** hospital, 92<sup>nd</sup> Street and Shea Boulevard, **in early January**. The 104,000-square foot **Virginia G. Piper Cancer Center at Scottsdale Healthcare**, which will offer up to 125 experimental treatments (Phase 1 and Phase 2) at a time, will house a branch of the Arizona Cancer Center, which is based at the University of Arizona Cancer Center in Tucson. The four-story cancer-treatment building will house physician offices, radiation therapy, chemotherapy, clinical trials, and blood and bone marrow transplant facilities. No information is available on the number of new jobs that will be created by the center.

### ***Government***

A **suit** was **filed** in early December on **be-**

**half of nearly 50 former employees** of the **Fountain Hills Fire District**, which was dissolved by the Fountain Hills Town Council in late October. The suit alleges that the city did not have the power to dissolve the fire district, which was created in 1977, because a portion of the district lies outside the boundaries of Fountain Hills. Forty-seven employees of the fire district lost their jobs when the Town Council passed an emergency measure to dissolve the fire district and create its own fire department.

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### **Tucson Metro Area**

#### ***Services***

The Tucson area received some early holiday cheer when the state **Legislature passed a bill** in early December to help **bail out two ailing level 1 trauma centers**, which had threatened to close their doors due to \$5 million in losses. HB 2007 provides one-time funding of \$4.3 million to reimburse losses associated with trauma center readiness at Tucson Medical Center and University Medical Center. An additional \$500,000 will be contributed by the city of Tucson and Pima County. Arizona has seven level 1 trauma centers — which provide 24-hour emergency care for patients with life-threatening injuries — with the other five in the Phoenix metro area. Unrelated to the trauma center bailout, but certainly good news, was a recent announcement that an **\$85 million hospital and medical office center** is expected to **open in Oro Valley in early 2004**. **Construction** of the 180-bed hospital, which will be managed by Northwest Medical Center, will **begin in late 2002**. The population of Oro Valley, about 20 miles north of Tucson, more than quadrupled between 1990 to 2000, to just fewer than 30,000.

#### ***Government***

Barring a last-minute reprieve for a Pima pineapple cactus or a pygmy owl, the **federal government** has decided to **build a \$100 million prison** for minimum- and high-security inmates in Tucson next to two other prisons (one state,

one federal). The federal Bureau of Prisons signed an agreement in late November to construct the facility on 627 acres on Wilmont Road (south of Interstate 10), just north of the Arizona State Prison Complex-Tucson and west of the Federal Correctional Institute.

**Not opening until 2005** — partly due to environmental studies (see above) — the federal prison is expected to **employ about 400 workers**, with about 60 percent hired locally. But in addition, the prison expects to hire about **500 construction workers** during a **30-month building phase**.

### Balance of State

#### **Manufacturing**

**TRW Tactical Systems** plans to **expand** its existing **Sierra Vista operations**, more than doubling the size of its current 28,650-square-foot manufacturing facility on Enterprise Way and **adding 250 people** to its current workforce of 115. Cleveland-based TRW announced in early December it would use the added space to support hardware products it makes for the U.S. Army and Marines. The expansion project is **not related** to 120 TRW employees at nearby Fort Huachuca that work on the **Hunter unmanned aerial vehicle**.

#### **Construction**

A proposed **1,200 single-family home community** in **Chino Valley** (about 20 miles north of Prescott) appears headed for approval, according to a newspaper report.

**Granite Investment and Development LLC** expects the 391-acre **Meadow Ridge Ranch**, which will house nearly 3,000 residents, will generate economic activity of \$130 million to \$170 million annually. If approved by the town of Chino Valley, Granite expects the planned community to **open in summer 2002**, with a complete build-out by 2010. Approval is likely because the developers plan to build an “environmentally sensitive” project, with “meandering trails” and “low-impact traffic,” the *Chino Valley Review* reports.

A small **commercial project**, including a coffee shop and medical complex, is **also anticipated**, the newspaper says.

#### **Transportation, Communications, and Public Utilities**

Citing high costs, **America West Airlines** is **considering ending service to Lake Havasu City**. After the Sept. 11<sup>th</sup> terrorist events, America West reduced its daily service from Phoenix to Lake Havasu City from three to two flights. If the airline pulls out, the western Arizona city would have no commercial airline service, which **could hurt economic development opportunities**.

#### **Trade**

The **Page City Council** approved funds for a **survey and appraisal** of 20 acres of land off of U.S. Highway 89 for a **proposed shopping center** that would include a **Safeway and Walgreen's drug store**. Safeway wants to replace an existing downtown location with a much larger store to compete with any “superstores” (e.g., Wal-Mart) that might open in the area.

#### **Services**

The federal government may “award” **another federal prison** to a southern Arizona city (see “Tucson Metro Area,” above). **Alternative Programs Inc.** (API) says it is in line to **receive a contract** from the federal government to **privately run a minimum-security facility** for 1,500 inmates in the city of San Luis, which sits across from the Mexican border 50 miles south of Yuma. The proposed prison would **generate about 400 jobs** and more than \$1 million annually to the city, which would receive a percentage of the prison's profits. API expects to receive final notification (positive or negative) in January. If API receives a contract, construction of the facility will begin within a year.

#### **Government**

**What was feared has come to pass.** Shortly after President Bush announced in September

that the government would beef up its force of sky marshals on U.S. flights, it was speculated that **many U.S. Border Patrol agents** would **seek** the higher-paying **sky marshal positions** (see October 20<sup>th</sup> *Industry Update*). And such has been the case. “Apparent defections seem widespread among Border patrol sectors all along the U.S.-Mexican line,” reported an article in *The Arizona Republic*. Eighty agents alone from the Douglas station have applied, the article said. In addition, more than **425 agents** (out of 9,000) nationwide have been **called up for National Guard duty**, the *Republic* story said. Of course, it’s expected that the “defections” will lead to opportunities for others who want Border Patrols positions. In recent years, the Immigration and Naturalization Service has beefed up the ranks of Arizona border patrol agents (to about 2,000), in order to fight the flood of illegal immigrants coming into the country across the state’s border.

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### **Statewide**

#### ***Transportation, Communications, and Public Utilities***

Denver-based **Qwest Communications** said it would **cut an additional 7,000 positions systemwide** over the next six months, which comes on top of 4,000 jobs eliminated earlier this year. Weak demand for basic telephone and high-speed Internet services, from business and consumers, forced the cuts, Qwest Chairman Joseph Nacchio told business analysts. Positions will be eliminated through attrition, early retirement, and involuntary separations, the company said. **No information was available on how many positions will be affected in Arizona**, where there are about 8,000 Qwest employees.

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## **INDUSTRY UPDATE**

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